

CITY OF COON RAPIDS
INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2014 THROUGH JUNE 30, 2015

Feldmann & Company C.P.A.s P.C.

523 North Main Street
Carroll, Iowa 51401

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City of Coon Rapids

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeff Anthofer	Mayor	January 2, 2016
Roger Clayburg	Council Member	January 2, 2016
Jon Esdohr	Council Member	January 2, 2016
Josh Smouse	Council Member Mayor Pro-term	January 2, 2018 January 2, 2016
Janelle Kracht	Council Member	January 2, 2018
Christine Goodwin	Council Member	January 2, 2016
Jessica Leighty	City Treasurer/ City Clerk	January 2, 2015
Mark Thomas	City Attorney	January 2, 2015

Feldmann & Company C.P.A. P.C.

523 North Main Street
Carroll, Iowa 51401
(712) 792-2464

Independent Accountant's Examination Report

To the Honorable Mayor and
Members of the City Council:

We have performed an examination of the City of Coon Rapids pursuant to Chapter 11.60 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Coon Rapids for the period July 1, 2014 through June 30, 2015. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City's funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapters 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the operations of the City of Coon Rapids, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Coon Rapids, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Coon Rapids and other parties to whom the City of Coon Rapids may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Coon Rapids during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Feldmann & Company CPAs, P.C.

Feldmann & Company CPAs PC
November 19, 2015

DETAILED RECOMENDATIONS

CITY OF COON RAPIDS

DETAILED RECOMMENDATIONS

FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Financial reporting – preparing and reconciling.
- (6) Journal entries – preparing and journalizing.

Recommendation – The City has some compensating controls. The Mayor and Council Members review bank statements and reconciliations. The Mayor and the Clerk are the dual signatures required on checks. The monthly expense and cash reports are reviewed by the Mayor and Council Members. We realize that segregation of duties is difficult with a limited number of employees. The City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of certificates of deposit should be evidenced by the signature or initials of the reviewer and the date of the review.

We also recommend that the date of the checks for payment of expenses be printed on the payment check stub that is attached to the invoice. City should check with software vendor as to print options on check stubs that would include check date.

- (B) Journal Entry Documentation – Supporting documentation was not maintained for journal entries. Additionally, journal entries are not approved.

Recommendation – Supporting documentation should be maintained which substantiates all journal entries. Journal entries should be approved by an independent person and evidence of the approval should be documented.

- (C) Financial Reports – The annual financial report for the year ended June 30, 2015, was reconciled to the financial records and submitted timely. The annual Road Use Tax report balances was reconciled to financial information for June 30, 2015 report.

The Council was provided budget expense reports each month as well as bank cash reports and a summary of revenue. The Council should receive a budget revenue report along with expense report.

Recommendation –The city should report revenue the same as it reports expenses each month for Council review. This keeps Council fully informed of all transactions incurred for the previous month.

- (D) Bank Reconciliation – Bank reconciliations are being properly completed on a monthly basis with list of the outstanding checks reviewed by the Mayor. However, the cash in certificates of deposit are reconciled and reviewed periodically by Council and/or Mayor.

Recommendation – Bank reconciliation report that covers the certificates of deposit and verification via interest remittances should be made available to Council for review periodically.

- (E) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kevin Reis Street Superintendent	Spray City Parks	\$584.20
Jon Esdohr, Council Member	Labor	\$92.00

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions do not appear represent a conflict of interest although total transactions for each were less than \$2,500 during the fiscal year.

Recommendation – City Council should determine and document the public purpose under the circumstances, as those items will certainly be subject to a deserved close scrutiny.

- (F) City Council Minutes - Chapter 372.13(6) of the Code of Iowa requires minutes of the City Council proceedings include a listing of total disbursements from each fund and well as the summary of receipts. We noted a month where the expense budget report was not furnished to the Council as procedures dictate.

Recommendation - The City should comply with its procedures and include a report of disbursements and budget by fund along with the report of revenue budget report by fund when submitting reports to Council for each meeting.

- (G) Separately Maintained Records – The City of Coon Rapids Fire Department's Non-Profit 501(c)3, maintains separate accounting records for certain operations. These transactions and resulting balances are not included in the City's accounting records, except for the fund balance of the fire department in the financial information of the City carried over from the period prior to the department's non-profit status.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis.

The Fire Department Association's accounts should be monitored for the use of public funds, and if needed, be included in the general accounting of the City's financial records. The City should document such monitoring and conclusions whether or not public funds are used.

The fund balance of the fire department carried on the City's financial information should be transferred to the General fund as these are public funds accumulated prior to the fire department's non-profit election. State Auditor's office concurs in that these funds are public funds and should be absorbed by the General fund.